



**Crowe Horwath**<sup>®</sup>

**BERKELEY UNIFIED SCHOOL DISTRICT**  
Berkeley, California

**MEASURE I GENERAL OBLIGATION BONDS**  
**PERFORMANCE AUDIT**  
June 30, 2012

BERKELEY UNIFIED SCHOOL DISTRICT  
Berkeley, California

MEASURE I GENERAL OBLIGATION BONDS  
PERFORMANCE AUDIT  
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## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
Berkeley Unified School District  
Berkeley, California

We have conducted a performance audit of the Berkeley Unified School District (the "District") Measure I General Obligation Bond funds for the year ended June 30, 2012.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure I General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for Berkeley Unified School District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of Berkeley Unified School District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal control.

The results of our procedures indicated that, in all significant respects, Berkeley Unified School District expended Measure I General Obligation Bond funds for the year ended June 30, 2012 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

  
Crowe Horwath LLP

Sacramento, California  
February 4, 2013

BERKELEY UNIFIED SCHOOL DISTRICT  
BACKGROUND INFORMATION

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**LEGISLATIVE HISTORY**

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

**BERKELEY UNIFIED SCHOOL DISTRICT MEASURE I GENERAL OBLIGATION BONDS**

On November 2, 2010, the electorate of Berkeley Unified School District approved the \$210 million "Measure I" General Obligation Bonds with greater than 55% of the qualified votes in favor. The summarized text of the ballot language was as follows:

*"To improve school safety and facilities for learning and teaching, shall Berkeley Unified School District issue \$210,000,000 in bonds at interest rates within the legal limit, to construct new classrooms for growth, complete seismic upgrades, construct science labs, upgrade computers and education technology, renovate playgrounds, replace restrooms, cafeterias, roofs, heating and fire safety systems, remove hazardous materials, improve energy efficiency, and qualify for State grants, with independent audits and citizen oversight? The State cannot take the funds."*

On May 10, 2011, the District issued Election of 2010, Series A Measure I General Obligation Bonds in the amount of \$25,000,000 to improve, construct, or reconstruct school facilities. The Series A Bonds were issued as Qualified School Construction Bonds, bear interest at rates ranging from 3.50% and 5.50% and are payable on February 1 and August 1 of each year until maturity.

On May 10, 2011, the District issued Election of 2010, Series B Measure I General Obligation Bonds in the amount of \$10,000,000 to improve, construct, or reconstruct school facilities. The Series B Bonds bear interest at rates ranging from 5.00% and 5.375% and are payable on February 1 and August 1 of each year until maturity.

BERKELEY UNIFIED SCHOOL DISTRICT  
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS

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## **OBJECTIVES**

The objective of our performance audit was to determine that the District expended Measure I General Obligation Bond funds for the year ended June 30, 2012 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

## **SCOPE**

The District provided to us a list of all Measure I General Obligation Bond project expenditures for the year ended June 30, 2012. An approximate total of 1200 transactions were identified, representing \$12,265,276 in expenditures from July 1, 2011 through June 30, 2012.

## **METHODOLOGY**

We performed the following procedures to the list ("the List") of Measure I General Obligation Bond project expenditures for the year ended June 30, 2012:

- Interviewed District management related to controls over planning, bidding, contracting, expenditure of Bond Funds, and financial reporting.
- Documented the District's procedures and controls over planning, bidding, contracting, expenditure of Bond Funds, and financial reporting.
- Performed tests to determine that the District's controls over planning, bidding, contracting, expenditure of Bond Funds, and financial reporting have been put in place and are working as documented.
- Verified the mathematical accuracy of the List.
- Reconciled the List to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2012, presented as the Building Fund.
- Selected a sample of 25 non-payroll and 25 payroll expenditures, totaling approximately 3.4% of total expenditures. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts.
- Verified that the expenditures were for the approved projects and were to construct, upgrade, and improve classrooms and school facilities, renovate restrooms and plumbing, upgrade electrical systems, improve student access to computers and technology, replace heating and air conditioning systems or to make health and safety improvements, and that no funds were used for teacher or administrative salaries, or other school operating expenses.

## **CONCLUSIONS**

The results of our procedures indicated that, in all significant respects, Berkeley Unified School District expended Measure I General Obligation Bond funds for the year ended June 30, 2012 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

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